

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 NEA-10 ISO-00 SOE-02 AID-05 CEA-01

CIAE-00 COME-00 DODE-00 DOE-15 H-01 INR-10 INT-05

L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09

SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /140 W

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R 221140Z JUL 78

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 8868

INFO AMEMBASSY BELGRADE

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY PARIS

AMEMBASSY RABAT

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TUNIS

AMEMBASSY BIENNA

AMCONSUL ORAN POUCH

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E.O. 11652: N/A

TAGS: ENRG, AG

SUBJECT: ALGERIAN LNG SALES AND PLANNED PRODUCTION FACILITIES

REF: PARIS 22405

1. THE RECENTLY RELEASED "HYDROCARBON DEVELOPMENT PLAN OF ALGERIA" SHOWS THE FOLLOWING LNG PRODUCTION FACILITIES BUILT, UNDER CONSTRUCTION, OR PLANNED (QUANTITIES IN BILLIONS OF THERMIES PER YEAR):

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CAMEL (ARZEW) 18

LNG-1 (ARZEW) 105

LNG-2 (ARZEW) 105

LNG-3 (ARZEW) 157

LNG-4 (ARZEW) 53

SIKIDA, TRAINS 1,2,3 38

SIKIDA, TRAIN 4 14

SKIKDA, TRAINS 5, 6	31
LNG EAST (SKIKDA)	105
LNG CENTER (ISSERS)	105
TOTAL	731

2. THE PLAN CONVERTS THERMIES TO CUBIC METERS AT 9.45 THERMIES PER CUBIC METER, SO THIS WOULD REPRESENT 77.4 BILLION CUBIC METERS A YEAR OF PLANNED LNG PRODUCTION CAPACITY. SONATRACH HAS ADMITTEDLY SPOKEN OF AN EVENTUAL PLANNED LNG CAPACITY OF 70 AND IT IS RUMORED IN ALGIERS THAT LNG-4 IN ARZEW MAY BE CANCELLED IN ORDER TO LIMIT THE NUMBER OF LNG TRAINS AT ONE LOCATION. NEVERTHELESS, THERE HAS BEEN NO ANNOUNCEMENT OF CANCELLATION OF ANY OF THESE PLANTS AND WE TAKE 77.4 AS THE MOST AUTHORITATIVE OFFICIAL FIGURE FOR PLANNED LNG CAPACITY. THIS IS, OF COURSE, IN ADDITION TO THE NG PIPELINE TO ITALY, WITH A CAPACITY OF 12.4.

3. THE HYDROCARBON DEVELOPMENT PLAN SHOWS THE FOLLOWING FIRM, APPROVED CONTRACTS (IN BILLIONS OF CUBIC METERS/YEAR):

BRITISH METHANE	1.1
GAZ DE FRANCE	0.6
GAZ DE FRANCE	3.7
GAZ DE FRANCE	5.4
DISTRIGAS (U.S.)	1.3
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ENAGAS (SPAIN)	4.8
EL PASO I	10.9
DISTRIGAZ (BELGIUM)	5.3
PANHANDLE/TRUNKLINE (U.S.)	4.8
TOTAL	37.9

4. THE BRITISH METHANE CONTRACT EXPIRES IN 1980, BUT IS EXPECTED TO BE RENEWED. THE PLAN ALSO SHOWS AN APPROVED LNG CONTRACT FOR 9 BILLION FOR ITALY, BUT THIS HAS BEEN REPLACED BY THE PIPELINE. IT ALSO SHOWS 8 FOR RUHRGAS/GASUNIE (GERMANY AND HOLLAND) AWAITING APPROVAL, BUT THIS HAS SINCE BEEN APPROVED, AS HAS THE CONTRACT FOR 4 FOR THYSSENGAS/BRIGITTA. THE TOTAL OF SIGNED, APPROVED, FIRM LNG CONTRACTS WOULD THUS SEEM TO BE 50 (49.9), AGAINST PLANNED CAPACITY OF 77 (77.4), OR 72 (71.8) IF THE LNG-4 PLANT IS CANCELLED. TOTAL EXPORT CAPACITY (INCLUDING THE ITALIAN PIPELINE) WOULD BE 89 (OR 84 IF LNG-4 IS CANCELLED).

5. WE NOTE THAT THE CONTRACT AMOUNTS PUBLISHED BY SONATRACH IN THE PLAN ARE GENERALLY SLIGHTLY HIGHER THAN THE FIGURES IN REFTTEL. THIS PROBABLY RESULTS

FROM USING SLIGHTLY DIFFERENT CONVERSION FACTORS (THE CONTRACTS ARE BASED ON CALORIFIC VALUED AND VARY SLIGHTLY) BUT EVEN IF WE REDUCE SONATRACH'S SALES AND CAPACITY FIGURES SLIGHTLY THE CONCLUSION SEEMS INESCAPABLE THAT AS OF TODAY THE PLANNED CAPACITY (EVEN WITHOUT LNG-4) IS JUST SUFFICIENT TO COVER ALL APPROVED CONTRACTS AND BOTH EL PASO II AND TENNECO. ECPORT OPINION ALSO AGREES THAT RESERVED ARE ADEQUATE FOR THIS PROGRAM, PLUS THE ITALIAN (BUT NOT THE SPANISH) PIPELINE.

6. THIS CONCLUSION (THAT THERE IS STILL ROOM FOR EL PASO II AND TENNECO) SEEMS BORNE OUT BY THE FACT THAT SON-TRACH HAS NOT CNACELLED EITHER PENDING U.S. CONTRACT. IT IS CERTAIN, HOWEVER, THAT THE ALGERIANS ARE PRESSING LIMITED OFFICIAL USE

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HARD FOR NEW CONTRACTS WITH EUROPEAN BUYERS AND THAT ANY NEW SUBSTANTIAL CONTRACT WOULD LEAVE EITHER EL PASO II OR TENNECO OUT OF THE GAME.HAYNES

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